# Lam Soon (M) Bhd v Forward Supreme Sdn Bhd & Ors

HIGH COURT (SHAH ALAM) — CIVIL SUIT NO MT3–22–575 OF 2000
LOW HOP BING J
30 AUGUST 2001

***Civil Procedure*** *— Injunction — Interim injunction to restrain trade mark infringement — Defendant entitled to use trade mark due to assignment by legal owner of trade mark — Whether plaintiff acquired independent goodwill from use of trade mark — Whether refusal of injunction will affect continuity of plaintiff's trade — Interim injunction which will result in diposal of main suit will be granted sparingly — Whether injunction will risk final disposal of suit*

***Trade Marks*** *— Infringement of registered trade marks and passing off — Interim injunction — Defendant entitled to use trade mark due to assignment by legal owner of trade mark — Whether plaintiff acquired independent goodwill from use of trade mark — Whether refusal of injunction will affect continuity of plaintiff's trade — Whether injunction will risk final disposal of suit*

The plaintiff applied for an interim injunction to restrain the defendants from using the Lam Soon Knife Label based on passing off and infringement of its copy right in the Lam Soon Knife Label. The plaintiff's claim in passing off was based on the goodwill it has generated and the artistic work in relation to the Lam Soon Knife Label while its claim in copyright was based on the ownership of the Lam Soon Knife Label by Lam Soon Oil and Soap Manufacturing Sdn Bhd which had assigned the same to the plaintiff by virtue of a deed dated 12 February 2001. The defendants disputed all the aforesaid claims of the plaintiff and contended that they are entiled to use a label which contains the same features, the entitlement being founded on the assignment by one Whang Tar Choung, the proprietor of the registered trade marks which comprise identical knife device. The defendants claimed that the said Whang Tar Choung had managed, owned and/or controlled the plaintiff for a long time and had also licensed the use of the knife device to the plaintiff and which use by the plaintiff accrued to the benefit of Whang Tar Choung qua licensor. The defendants claim that this benefit had been assigned by Whang Tar Choung to the defendants.

**Held**, dismissing the plaintiff's application:

(1) The defendants were entitled to use the trade marks under licence from Whang Tar Choung. By virtue of s 231 of the Trade Marks Act 1976, the defendants were also entitled to use the trade marks with additions and alterations not substantially affecting the identity of the trade marks. There was nothing legally or inherently objectionable to the use by the defendants of its version of the knife trade marks. The defendants had derived its entitlement to use its knife trade marks not merely from the trade

marks but also from the assignment to it by Whang Tar Choung of all goodwill associated with the business which was conducted under his licence (see pp 660B, I–661A).

(2) Since the plaintiff was merely using the 'Lam Soon Knife Label' under the licence or with the permission of Whang Tar Choung, the goodwill generated by the plaintiff in relation to its use accrued for the benefit of Whang Tar Choung. The plaintiff had acquired no independent goodwill in its business conducted under the knife device. That being the case, there could be no misrepresentation to the public by virtue of the defendants' use of the trade marks and their accompanying backdrop. Similarly, the plaintiff cannot be heard to say that its goodwill had been injured or misapproriated by the defendants. Thus there was no triable issue relating to the alleged cause of action based on passing off (see pp 661H–I, 663F–I).

(3) Whang Tar Choung was the legal owner of the trade marks which he had assigned to the defendants. This assignment was effected together with the goodwill associated with the trade marks which must necessarily comprise the form in which the marks were previously used under licence from Whang Tar Choung. In the circumstances there could be no doubt that there was no triable issue in respect of the alleged copyright infringment (see p 666A–C).

(4) The refusal of the injunction applied for by the plaintiff would not affect the continuity and free flow of the plaintiff's trade or business and so would not result in any loss to the plaintiff as it is still 'business as usual' and uninterrupted (see p 666E–F).

(5) The defendants' main and most important assets were the trade marks. An injunction against the defendants would invariably prevent them from trading since they did not possess any other trade. Further, the grant of an interim injunction against the defendants would mean that there is a risk of the final disposal of the suit herein. It is trite law that an interim or interlocutory injunction which would result in the disposal of the main suit as in the instant case would only be granted sparingly and with circumspection. Considering the plaintiff's application in its entirety, the court found that the balance of convenience was against the grant of the interim injunction (see pp 666G, 667E, 667H–I).

**[Bahasa Malaysia summary**

Plaintif memohon satu injunksi untuk menahan defendan-defendan daripada menggunakan Label Pisau Lam Soon berdasarkan kelirupaan dan perlanggaran hakciptanya dalam Label Pisau Lam Soon. Tuntutan plaintif dalam kelirupaan adalah berdasarkan nama baik yang diwujudkannya dan kerja seniman berhubung dengan Label

Pisau Lam Soon manakala tuntutannya dalam hakcipta adalah berdasarkan milikan Label Pisau Lam Soon oleh Lam Soon Oil and Soap Manufacturing Sdn Bhd yang telah menyerahhak yang sama kepada plaintif melalui suratikatan bertarikh 12 Februari 2001. Defendan-defendan mempertikaikan segala tuntutan plaintif ini dan berhujah bahawa mereka berhak menggunakan satu label yang mengandungi ciri yang sama, dengan hak tersebut berasaskan penyerahan hak oleh seorang bernama Whang Tar Choung, pemilik tanda niaga berdaftar tersebut yang terdiri daripada kaedah gaya pisau yang serupa. Defendan-defendan menuntut bahawa Whang Tar Choung telah mengurus, memiliki dan/atau menguasai plaintif untuk tempoh yang lama dan juga telah melesenkan penggunaan kaedah gaya pisau kepada plaintif dan penggunaan yang mana oleh plaintif terakru kepada manfaat Whang Tar Choung sebagai pelesen. Defendan-defendan menuntut bahawa manfaat ini telah diserahhak oleh Whang Tar Choung kepada mereka.

**Diputuskan**, menolak permohonan plaintif tersebut:

(1) Defendan-defendan berhak menggunakan tanda niaga tersebut di bawah lesen daripada Whang Tar Choung. Disebabkan s 231 Akta Cap Dagangan 1976, defendan-defendan juga berhak menggunakan tanda niaga tersebut dengan penambahan dan pengubahsuaian yang tidak menjejaskan identiti tanda niaga tersebut secara substantial. Tiada apa yang boleh dibantah dari dari segi undang-undang atau tersirat terhadap penggunaan versi tanda niaga pisau mereka oleh defendan-defendan. Defendan-defendan telah memperolehi hak untuk menggunakan tanda niaga pisaunya bukan sahaja daripada tanda niaga tersebut tetapi juga daripada penyerahhakan kepadanya oleh Whang Tar Choung ke atas segala nama baik yang dikaitkan dengan perniagaan itu yang dijalankan di bawah lesennya (lihat ms 660B, I–661A).

(2) Oleh kerana plaintif cuma menggunakan 'Label Pisau Lam Soon' di bawah lesen atau dengan izin Whang Tar Choung, nama baik yang diwujudkan oleh plaintif berkaitan dengan penggunaannya terakru untuk manfaat Whang Tar Choung. Plaintif tidak memperolehi apa-apa nama baik tersendiri dalam perniagaannya yang dijalankan di bawah kaedah gaya pisau. Oleh yang demikian, tidak mungkin timbulnya salah nyata kepada masyarakat awam disebabkan penggunaan tanda niaga tersebut oleh defendan-defendan dan latar berlakang bersama. Dalam cara yang serupa, plaintif tidak boleh mengatakan bahawa nama baiknya telah dicederakan atau disalahgunakan oleh defendan-defendan. Justeru itu, tiada sebarang isu yang boleh dibicarakan berkaitan dengan kausa tindakan yang dikatakan berdasarkan kelirupaan (lihat ms 661H–I, 663F–I).

(3) Whang Tar Choung merupakan pemilik sah tanda niaga tersebut yang mana ia telah serahhak kepada defendan-defendan.

Penyerahhakan ini telah dilaksanakan bersama dengan nama baik yang dikaitkan dengan tanda niaga tersebut yang semestinya terdiri daripada bentuk dalam mana tanda-tanda tersebut digunakan sebelum ini di bawah lesen daripada Whang Tar Choung. Dalam keadaan ini, tidak mungkin timbulnya sebarang keraguan bahawa tiada apa-apa isu yang boleh dibicarakan berhubung dengan perlanggaran hakcipta yang dikatakan (lihat ms 666A–C).

(4) Penolakan injunksi yang dipohon oleh plaintif tidak akan menjejaskan kesinambungan dan aliran bebas perniagaan plaintif dan dengan itu tidak akan mengakibatkan apa-apa kerugian kepada plaintif kerana ia masih 'perniagaan seperti biasa' dan tidak diganggui (lihat ms 666E–F).

(5) Aset utama dan paling penting defendan-defendan merupakan tanda niaga tersebut. Satu injunksi terhadap defendan-defendan sudah tentu akan menghalang mereka daripada berniaga memandangkan mereka tidak memiliki apa-apa perniagaan lain. Seterusnya, pemberian satu injunksi interim terhadap defendan-defendan akan bermakna bahawa wujudnya satu risiko dalam penyelesaian muktamad guaman tersebut. Adalah undang-undang mantap bahawa satu injunksi interim atau interlokutori yang akan membawa kepada penyelesaian guaman utama seperti dalam kes hanya akan diberikan secara was-was dan dengan sikap berhati-hati. Menimbang permohonan plaintif pada keseluruhannya, mahkamah mendapati bahawa imbangan kemudahan adalah bertentangan dengan pemberian injunksi interim (lihat ms 666G, 667E, 667H–I).]

**Notes**

For a case on interim injunction to restrain infringement of a trade mark, see 2(2) *Mallal's Digest* (4th Ed, 2001 Reissue) para 2684.

For a case on interim injunction in infringement of a registered trade mark and passing off, see 12 *Mallal's Digest* (4th Ed, 2000 Reissue) para 1555.

**Cases referred to**

*American Cyanamid Co v Ethicon Ltd* [1975] AC 396 (refd)

*Erven Warnink BV & Ors v J Townend & Sons (Hull) Ltd & Ors* [19791 2 All ER 927 (refd)

*Garden Cottage Foods Ltd v Milk Marketing Board* [1984] AC 13 (refd)

*Gromax Plasticulture Ltd v Don & Low Nonwovens Ltd* [1999] RPC 367 (refd)

*JH Coles Proprietary Ltd (in liquidation) v JF Need* [1934] AC 82 (refd)

*Keet Gerald Francis Noel John v Mohd Noor bin Abdullah & Ors* [1995] 1 MLJ 193 (refd)

*Levi Strauss & Co v Shah & Anor* [1985] RPC 371 (refd)

*Morny Ltd's Trade Marks* (1951) 68 RPC 131 (refd)
*Ng Hee Thoong & Anor v Public Bank Bhd* [1995] 1 MLJ 281 (refd)
*Parnass/Pelly Ltd v Hodges* [1982] FSR 329 (refd)
*Seet Chuan Seng & Anor v Tee Yih Jia Foods Manufacturing Pte Ltd* [1994] 2 MLJ 770 (refd)
*University of London Press Ltd v University Tutorial Press Ltd* [1916] 2 Ch 601 (refd)

**Legislation referred to**

Copyright Act 1987 ss 3, 7(3)(a), 26(1), (2), 42
Trade Marks Act 1938 [Eng] s 30
Trade Marks Act 1976 s 23(2)

*T Siaw* (*Tay & Partners*) for the plaintiff.
*Wong Sai Fong* (*Su Siew Ling* with him) (*Shearn Delamore & Co*) for the defendant.

**Low Hop Bing J**:

*Application*

This is the plaintiff's application in encl (4) for an interim injunction to restrain the first defendant and its two directors, who are the second and the third defendants, from using the Lam Soon Knife Label ('Lam Soon Knife Label'), and it is based on passing off and infringement of its copyright in the Lam Soon Knife Label, which comprises the following features:

(i) the knife device in a circle accompanied by the English word 'knife' and the Bahasa Malaysia word 'pisau' and a diagonal stripe;
(ii) the colour combination of red and yellow of the label; and
(iii) a statement as to the ingredients and other product information.

*Brief introduction*

By way of a brief introduction, the plaintiff's claim in passing off is based on the goodwill it has generated and the artistic work in relation to the Lam Soon Knife Label, while its claim in copyright is based on the ownership of the Lam Soon Knife Label by Lam Soon Oil and Soap Manufacturing Sdn Bhd, which had assigned the same to the plaintiff by virtue of a deed dated 12 February 2001.

The defendants, on the other hand, dispute all the aforesaid claims of the plaintiff and contend that the first defendant is entitled to use a label which contains the above features, the entitlement being founded on the assignment by one Whang Tar Choung, the proprietor of the registered trade marks No M/23682 with the caption 'Big Knife Brand' and No M/23670 with the caption 'Sword Brand' (collectively 'aforesaid two trade marks') which comprises identical knife devices encased in a circle ('Forward Supreme Knife Label'). The defendants claim that the said

Whang Tar Choung had managed, owned and/or controlled the plaintiff for a long time and had also licensed the use of the knife device to the plaintiff, and which use by the plaintiff accrued to the benefit of Whang Tar Choung qua licensor. The defendants claim that this benefit has been assigned by Whang Tar Choung to the first defendant.

*Submission for plaintiff*

Relying on authorities, Mr T Siaw, assisted by Ms Fiona Bodipalar learned counsel for the plaintiff, submitted that:

1 the 'Forward Supreme Knife Label' is closely similar, if not identical, to the 'Lam Soon Knife Label';

2 there is tremendous brand recognition, goodwill and reputation in the 'Lam Soon Knife Label', all of which are exclusively associated with or attributed to the plaintiff;

3 the plaintiff has used the 'Lam Soon Knife Label' exclusively since 1985;

4 the plaintiff has a pending application for the 'Lam Soon Knife Label' as a trade mark;

5 the plaintiff is the owner of the copyright subsisting in the 'Lam Soon Knife Label';

6 the defendants only commenced the use of the 'Forward Supreme Knife Label' in or around November 2000 and in Sabah;

7 the whole of the 'Lam Soon Knife Label' is a trade mark, and by way of a comparison of the 'Lam Soon Knife Label' and the 'Forward Supreme Knife Label', and viewed as a whole, the 'Lam Soon Knife Label', and the aforesaid two trade marks are entirely different;

8 apart from the knife device, there are other elements in the 'Lam Soon Knife Label' such as the colour scheme which is protected by copyright, the Chinese characters and the 'pisau' mark which are the exclusive properties of the plaintiff;

9 the first defendant's unauthorized use of the 'pisau' mark is in fact an infringement of the plaintiff's 'pisau' mark;

10 in respect of copyright infringement, the 'Forward Supreme Knife Label' copies each and every element of the 'Lam Soon Knife Label' including the knife device, the placements of the various elements and the colour scheme;

11 the 'Forward Supreme Knife Label' does not use the knife device found in the aforesaid two trade marks, but uses the 'Lam Soon Knife Label', and the differences in the knife devices include the direction and angle the knives point and the shape of the handles;

12 the plaintiff owns the registration for the Big Knife Brand for the territory of Sabah;

13 the defendants have not denied that the 'Forward Supreme Knife Label' is copied from the 'Lam Soon Knife Label';

14 the plaintiff has established clear and serious issues of passing off, trade mark and copyright infringements against the defendants, to be tried;

15 the damage to the goodwill and reputation to the plaintiff will be irreparable and damages would not be an adequate remedy if the plaintiff succeeds at the trial;

16 the first defendant is an RM2 paid up company, thereby affecting its ability to pay damages;

17 the balance of convenience is in favour of the plaintiff and the gross injustice which the plaintiff would suffer if the injunction is not granted far outweighs any inconvenience the defendants would suffer if the injunction were granted; and

18 the status quo should be preserved.

In the circumstances, the plaintiff prays for an order in terms of encl (4).

*Defendants' case*

Encik Wong Sai Fong and Cik Su Siew Ling, learned counsel for the defendants, commenced their submission by referring to the principles governing the grant of an interlocutory injunction, in particular, references to authorities pertaining to passing off, trade mark and copyright actions. They contended that:

1 in respect of passing off, there are no serious questions to be tried, as the said Whang Tar Choung has assigned the aforesaid two trade marks absolutely to the first defendant;

2 the 'Lam Soon Knife Label' comprises the first defendant's registered trade marks No M/23682 and No M/23670 viz the aforesaid two trade marks and the 'Lam Soon Knife Label' is identical to the aforesaid two trade marks which were registered by Whang Tar Choung and currently owned by the first defendant;

3 the first defendant is entitled to use its own registered trade marks and any variation so long as the identity of the trade mark is not affected;

4 the goodwill in the knife device does not belong to the plaintiff, as the said Whang Tar Choung was at all material times the legal and registered proprietor of the aforesaid two trade marks and from whom the plaintiff had merely derived licence or permission to use the same;

5 there is no misrepresentation to the public by virtue of the first defendant's use of the aforesaid two trade marks and their accompanying backdrop;

6 in respect of copyright infringement, there are also no serious issues to be tried, as the plaintiff has failed to establish that it owns the copyright in the 'Lam Soon Knife Label' and that the said label is original and capable of protection as copyright;

7 the features of the 'Lam Soon Knife Label' such as the knife device encased in a circle with diagonal stripe and the shade of the label in

yellow and red and the words 'knife' and 'pisau' are not artistic works as defined in s 3 of the Copyright Act 1987 ('the Act'), as they lack originality;

8 the said Whang Tar Choung has assigned the aforesaid two trade marks to the first defendant;

9 the plaintiff's ability to continue to trade under the 'Lam Soon Knife Label' would mean that the plaintiff would not suffer any damage and in the event of any damage incurred by the plaintiff, compensation by way of damages would be adequate;

10 the 'Forward Supreme Knife Label' is not copied from the 'Lam Soon Knife Label';

11 the plaintiff's financial strength to meet any damages should not become a charter of success against poorer companies;

12 the grant of the injunction would amount to a final dispensation of the matter before the court, prevent the defendants from trading altogether and directly coerce the defendants to relinquish their business, which would be inequitable, especially when the first defendant is the owner of the aforesaid two trade marks.

It was finally argued for the defendants that the plaintiff's application in encl (4) should be dismissed with costs.

*Decision of the court*

After a very careful consideration of the comprehensive submissions advanced respectively for both the plaintiff and the defendants, it seems clear to me that the grant or refusal of the interim injunction is dependent upon the answers to the following questions:

1 On the facts and circumstances as may be distilled from the affidavits filed for both the plaintiff and the defendants in respect of passing off and infringement of copyright, both of which have been alleged by the plaintiff against the defendants, are there serious issues to be tried?

2 If the answer to question 1 above is in the affirmative, would damages be an adequate remedy?

3 Where does the balance of convenience lie?

These are the factors which I must inquire into as they are the essential principles governing the grant or refusal of an interlocutory injunction which have been authoritatively expounded by the House of Lords in *American Cyanamid Co v Ethicon Ltd* [1975] AC 396 (which is a patent infringement case). This decision of the English apex court was accepted as the *locus classicus* on the subject by our Court of Appeal in *Keet Gerald Francis Noel John v Mohd Noor bin Abdullah & Ors* [1995] 1 MLJ 193.

I shall now proceed to examine and analyze each of the aforesaid questions for the purpose of arriving at a proper exercise of discretion on the basis of established judicial principles and statutory provisions, which are

specifically applicable to all the relevant material including the facts and circumstances and the submissions before me in the instant case.

*Passing off*

The essential ingredients constituting a valid cause of action for passing off have been stated with unrivalled clarity by Lord Diplock in the House of Lords in *Erven Warnink BV & Ors v J Townend & Sons (Hull) Ltd & Ors* [1979] 2 All ER 927, and applied by our Supreme Court in *Seet Chuan Seng & Anor v Tee Yih Jia Foods Manufacturing Pte Ltd* [1994] 2 MLJ 770. These ingredients are:

(1) a misrepresentation;

(2) made by a trader in the cause of trade;

(3) to prospective customers of his or ultimate customers of goods or services supplied by him;

(4) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence); and

(5) which causes actual damage to a business or goodwill by whom the action is brought.

The cause of action founded on passing off seeks to protect the goodwill of the business of a particular trader which is conducted by reference to a distinct trade mark and/or get-up. In the instant case, the distinctive trade mark is the 'knife' device. It is to be noted at this juncture and discussed in greater detail later in this judgment, that the said Whang Tar Choung was the original registered owner of the aforesaid two trade marks. The goodwill in the knife device is therefore vested in the said Whang Tar Choung who has since assigned the aforesaid two trade marks absolutely to the first defendant. The assignment of the aforesaid two trade marks is of crucial importance to the determination of the application before me as it sets out the rights acquired by the first defendant in respect of the aforesaid two trade marks. Hence, it is imperative to inquire and examine paras 6, 7, 8 and 9 of the defendants' affidavit in encl (6), affirmed by the second and third defendants who are the directors of the first defendant. These paragraphs clearly establish that the aforesaid two trade marks were registered in the name of the said Whang Tar Choung, trading as Lam Soon Cannery Co. Whang Tar Choung was at all material times the proprietor of the aforesaid two trade marks (para 6). By virtue of a registered user agreement dated 26 October 2000, Whang Tar Choung granted an exclusive licence to the first defendant to use the 'Big Knife Brand' registered as trade mark No M/23682. This agreement was filed with the Registry of Trade Marks on 30 October 2000, and a confirmatory letter to that effect was issued by the said Registry on 15 November 2000 in the form of 'Pendaftaran Pengguna Berdaftar Cap Dagangan' (ie Registration of Registered User of Trade Marks) which was endorsed 'tanpa had tempoh' (without limitation of time, ie indefinitely) para 7. Further, in para 8 of the said affidavit in encl (6), by virtue of a deed of assignment dated 15 November 2000, the aforesaid two trade marks were assigned by Whang

Tar Choung to the first defendant, and such assignment was recorded at the Registry of Trade Marks on 15 November 2000. All these essential steps were taken by the defendants well before the filing of the suit herein by the plaintiff against the defendants on 7 December 2000. Having perused para 9 thereof, it is my specific finding that the first defendant was entitled to use trade mark No M/23682 since 26 October 2000 under licence from Whang Tar Choung, and subsequently from 15 November 2000, as legal and rightful owners of the aforesaid two trade marks. Hence, the first defendant is also perfectly entitled use the aforesaid two trade marks with additions and alterations not substantially affecting the identity of the aforesaid two trade marks. This proposition is expressly provided under s 23(2) of the Trade Marks Act 1976 ('TMA'), the relevant portion of which reads as follows:

> Where under this Act use of registered trade mark is required to be proved for any purpose, the Court or the Registrar may, if and so far as it or he shall think right, accept use of … the trade mark with additions and alterations not substantially affecting its identity as an equivalent for such use.

Two English cases would throw more light here. First, in the matter of *Morny Ltd's Trade Marks* (1951) 68 RPC 131, Morny Ltd owned two registered trade marks, one comprising the word 'Morny' in special lettering and with conventional embellishments, and the other consisting of the same word in block capitals. In the registration of the stylised 'Morny' with embellishments, the mark was used without those embellishments, and it was held by Lloyd-Jacob J that those embellishments, being conventionally used in respect of perfumes and toiletries, were immaterial features. Section 30 of the English Trade Marks Act 1938 ('ETMA') had a similar provision as our s 23(1) which permits the use of a registered trade mark with additions and alterations not substantially affecting its identity. The rationale given by his Lordship at p 57, lines 25 to 29, was that in the trade mark law, the statute has recognized the undesirability of requiring proprietors of registered trade marks to maintain the precise form of embellishments or representations, which at the time of application were included in the form of the mark submitted for registration.

The second case is *Levi Strauss & Co v Shah & Anor* [1985] RPC 371, where the Chancery Division of the High Court was asked to decide whether the registered mark comprising five plain coloured labels to be sewn into the left hand seam of the rear pocket of a pair of jeans, ie pocket tabs, was used by the proprietor who added the word 'Levi's' onto the tabs. The addition by the proprietor was held by Whitford J not to have substantially altered the mark, given the essential feature of the marks being the pocket tabs sewn onto a particular position of the trouser pockets.

Having regard to s 23(1) of our TMA and its corresponding provisions in s 30 of the ETMA together with the aforesaid two English decisions, I hold that there is nothing legally or inherently objectionable to the use by the first defendant of its version of the knife trade marks and that the first defendant has derived its entitlement to use its knife trade marks not merely

from the aforesaid two trade marks but also from the assignment to it by the said Whang Tar Choung of all goodwill associated with the business which was conducted under his licence.

On the other hand, the plaintiff's goodwill in the 'Lam Soon Knife Label' is derived from the legal nature and quality of the plaintiff's use of the 'Lam Soon Knife Label' over the years and was to the extent licensed or permitted by the said Whang Tar Choung. However, it is pertinent to note that the plaintiff did commence a civil suit in the Kuala Lumpur High Court (Suit No D3–22–2652–1999) against the said Whang Tar Choung claiming ownership of, amongst others, the aforesaid two trade marks. This suit was, however, dismissed for want of prosecution on 25 October 2000: see encl (9A), the defendants' affidavit in reply at para 4(i), p 3. In my view, this fact and circumstance did not render any assistance to the plaintiff in establishing that the goodwill, if any, of the plaintiff was injured as the goodwill goes with the said Wang Tar Choung, the original owner of the aforesaid trade marks which were absolutely assigned to the first defendant as alluded to above.

It is also pertinent to point out that the plaintiff commenced an almost similar proceeding against both Whang Tar Choung and the first defendant in the High Court of Singapore (Civil Suit No 9742000/T), exhibited as exh 'LS-9' in the plaintiff's first affidavit in reply, claiming ownership once again to, inter alia, the aforesaid two trade marks, and also challenging the validity of the assignment and licence granted by Whang Tar Choung to the first defendant. As the said proceeding is still pending in Singapore, the parties herein must await its outcome, although its direct or indirect relevance to the instant case is not apparent at this stage.

After the filing of the said Singapore civil suit, and indeed at the heels thereof, the plaintiff commenced the instant suit against the defendants for passing off and copyright infringement, based on the 'Lam Soon Knife Label', but as demonstrated above this was counteracted or neutralised by the first defendant's entitlement to use the aforesaid two trade marks or their variant and label by virtue of the assignment to it from Whang Tar Choung.

In the instant case, p 7, para 13 of the defendants' affidavit in reply sets out the history of the legal ownership and control by Whang Tar Choung of the Lam Soon Group of Companies, including the plaintiff. The plaintiff did not contradict Whang Tar Choung's legal ownership and control of the companies. Hence, as was held in *Ng Hee Thoong & Anor v Public Bank Bhd* [1995] 1 MLJ 281 by the Court of Appeal 'In evaluating affidavit evidence, where one party makes a positive assertion upon a material issue, the failure of his opponent to contradict it is usually treated as an admission by him of the fact so asserted.'

Since the plaintiff was merely using the 'Lam Soon Knife Label' under licence or with the permission of Whang Tar Choung, I am of the view that the goodwill generated by the plaintiff in relation to its use accrued for the benefit of Whang Tar Choung. My view is supported by Christopher Wadlow in *The Law of Passing Off* (2nd Ed) at pp 115–116 where the

learned author clearly states the legal position on ownership of goodwill as follows:

> If a valid licence of a name or mark is in operation then the goodwill in respect of the business so carried on accrues to the licensor rather than the licensee. The licence may be express or implied. The licensee acquires no interest in the name or mark, and must cease using it on termination of the licence … Provided the licence is a valid one, it does not matter that the licensee may be held out as the provider of the goods in question, and may in fact be primarily responsible for their character or quality.

The above-quoted passage has been cited in *Gromax Plasticulture Ltd v Don & Low Nonwovens Ltd* [1999] RPC 367. That case involved a dispute between two parties who entered into a distributorship agreement. The plaintiff was the distributor whilst the defendant, the supplier of plastic crop cover products. They were sold under the trade mark, 'Gro-Shield'. The defendant sought registration of the mark in class 24 whilst the plaintiff managed to secure registration in class 17. The agreement came to an end and when the defendant began marketing products under the same trade mark, the plaintiff distributor commenced an action for rectification of the defendant's trade mark registration as well as for passing off.

It was held by Lindsay J that the defendant had not passed off the plaintiffs products, the plaintiff failing to establish that it owned the goodwill in the 'Gro-Shield' products exclusively. The plaintiff's subsequent registration was also cancelled in light of the defendant's earlier registration. In relation to the determination of goodwill in the context of a licensing arrangement between two parties, the learned judge said at p 388 line 40 and p 389 line 2:

> I would, however, be content for present purposes with a proposition which stated that subject to special circumstances being proved to the contrary and to the terms of the particular licence, as between licensor and licensee as competitors for the ownership of the goodwill at the termination of a licence, *the position of the licensor should not be taken to be weakened nor that of the licensee enhanced by such activity on the licensee's part during the currency of the licence as was respectively either required of him or conferred upon him by the licence or, as to activity of his known to the licensor, was such as could be fairly regarded by the licensor as no more than reasonably incidental to the maintenance or promotion of such commercial interest in the name as the licence had conferred upon the licensee*. I do not pretend that my formulation covers the whole range covered in the citation from Wadlow, supra, but I shall adopt it, so far as it goes, for the purposes of this case. (Emphasis added.)

In *JH Coles Proprietary Ltd (in liquidation) v JF Need* [1934] AC 82 (which was an appeal from the High Court of Australia to the Privy Council,) the court was asked to decide on the use of a trade name pursuant to a licence. In that case, the appellants, Coles, verbally agreed with the respondent, Need, that he could open a shop and carry on business in a particular locality under their trade name on condition that the respondent procured stocks from the appellants. When the respondent failed to comply with that condition, the appellants commenced a suit claiming an injunction to restrain the respondent from continuing under the trade name. The

respondent alleged that he had acquired goodwill in respect of the trade name in that locality and that by virtue of his use, the trade name was no longer distinctive of the appellants. The Privy Council held that the respondent only had 'a revocable licence to use these names so long as the business arrangement continued between the appellant and the respondent.' Since the continuance of the use by the respondent after the licence had been revoked constituted passing off, the Privy Council therefore granted an injunction restraining the respondent.

However, in the instant case, it is to be observed that Whang Tar Choung as the main shareholder and Executive Chairman of the plaintiff from its inception until late 1998 had control over the plaintiff and its business including that conducted under the 'Lam Soon Knife Label'. Throughout those years, the use of Whang Tar Choung's trade marks, including the aforesaid two trade marks by the plaintiff was pursuant to an underlying licensing arrangement, express or implied, between two parties, supported by actual and controlled use by the licensor, Whang Tar Choung, over the licensee, the plaintiff. During the tenure of a licence, a presumption arises that both the licensor, Whang Tar Choung, and the licensee, the plaintiff, have a convergence of aims in promoting and advancing the use of the trade mark but when such a licence is terminated, as in the instant case, the licensee, the plaintiff, should not be able to take advantage of its acts conducted during the tenure of the licence to the detriment of the licensor, Whang Tar Choung. Otherwise, a proper licence could be challenged with impunity by the licensee, the plaintiff.

Learned counsel for the plaintiff pointed out that there is public perception pertaining to the plaintiff's ownership of the goodwill. However, given the then underlying licence existing between the plaintiff and Whang Tar Choung, the aforesaid two trade marks are legally distinctive of the licensor, Whang Tar Choung. This is particularly so as the law does not require the licensor or indeed the licensing arrangement to be disclosed to the public.

It is my specific finding that the plaintiff has acquired no independent goodwill in its business conducted under the knife device. That being the case, there can be no misrepresentation to the public by virtue of the first defendant's use of the aforesaid two trade marks and their accompanying backdrop. Indeed, from the cogent documentary evidence pertaining to the absolute assignment by Whang Tar Choung to the first defendant of the aforesaid two trade marks, and all the aforesaid concommittant steps taken by the first defendant and Whang Tar Choung, well before the filing of the instant suit on 7 December 2000, it is plain and undoubted that the first defendant has acquired the aforesaid two trade marks and goodwill of the business associated therewith from Whang Tar Choung, as a result of which, the first defendant cannot be said to have taken advantage of the plaintiff's knife device. Similarly, the plaintiff cannot be heard to say that its goodwill has been injured or misappropriated by the defendants.

On the foregoing grounds, I hold that there is no triable issue relating to the alleged cause of action based on passing off.

*Copyright infringement*

For the purposes of this part of my judgment, a reference to a section hereinafter shall be a reference to that section in the Act.

In order to succeed in a claim based on copyright infringement in the 'Lam Soon Knife Label', the plaintiff must establish first that it owns the copyright in the said label and secondly, that the said label is original and capable of protection as a copyright work.

In respect of ownership of copyright, the plaintiff's first affidavit, p 6 para 20(a) reads:

> The Lam Soon KNIFE Label was designed, drawn and completed by employees of the plaintiff or commissioned by the plaintiff.

This statement does not disclose as to who the author of the label was, or which author was employed or commissioned by the plaintiff.

Section 26(1) of the Act provides that copyright shall 'vest initially in the author'. Section 26(2) of the Act further provides that where a work is made either in the course of employment, or if the author is not an employee, but commissioned by the person, copyright is deemed to be transferred to the employer or the commissioner, as the case may be. The plaintiff in its second affidavit exhibited a statutory declaration dated 19 December 2000 (ie after the writ herein was filed on 7 December 2000) pursuant to s 42 of the Act which provides that such a declaration shall be prima facie proof of the facts contained therein. Section 42 of the Act prescribes that a person may affirm on oath stating that copyright subsisted in a particular work and that he is the copyright owner of the work. In exhibit 'LS-12', it was affirmed on behalf o the plaintiff that the said label was protected as an artistic work and that it was created in or around 1982. The second sentence in para 18, p 6 of the plaintiff's affidavit in encl (9), reads as follows:

> The artwork and design of the Lam Soon KNIFE Label were commissioned and paid for by the plaintiff.

The *prima facie* proof of copyright ownership as deposed to in the said statutory declaration, like any other prima facie evidence, may be rebutted. In the instant case, it was rebutted by the defendants' affidavit in reply in encl (9A), at p 14 para 31 as follows:

> We verily believe and as informed by Whang Tar Choung, the plaintiff was a dormant company under the name, 'Lam Soon Holdings Berhad' when it was established on 29 April 1982 and never became active or operational until in or about 1985, after it had acquired the assets and business of Lam Soon Oil and Soap Manufacturing Sdn Bhd, the manufacturing and trading arm of the Lam Soon group in Malaysia.

The plaintiff does not appear to have contradicted the above allegation of fact. That being the case, on the authority of Ng Hee Thoong, supra, it is deemed to have been admitted. As the plaintiff was on 29 April 1982 a dormant company under the name 'Lam Soon Holdings Bhd', and was not active or operational until 1985, it is clear that the said label could not have been commissioned in or around 1982.

The plaintiff then claimed that the design of the label was commissioned by Lam Soon Oil and Soap Manufacturing Sdn Bhd, and subsequently assigned to it, pursuant to an agreement (exh 'LS–18' in the plaintiff's affidavit encl (10)) with Lam Soon Oil and Soap Manufacturing Sdn Bhd dated 12 February 2001 which was drafted and entered into after the instant suit was filed on 7 December 2000 and after the defendants have in their affidavit challenged the plaintiff's claim of ownership. The agreement (which was purportedly expressed to take effect retrospectively on 16 July 1984) and the statutory declaration are apparently rescue operations after the event ie the filing of the instant suit on 7 December 2000 to assert ownership of copyright, when as stated above the plaintiff was a dormant company under the name 'Lam Soon Holdings Bhd' when it was established on 29 April 1982 and never became active or operational until 1985, and in any event, when the ownership of copyright has been challenged and rebutted.

In respect of the originality of the said label, the plaintiff claims that the 'Lam Soon Knife Label' is protected as an artistic work. Section 3 of the Act defines an 'artistic work' as meaning, inter alia, a 'graphic work' which in turn is defined in the same section as including 'any painting, drawing, diagram, map, chart or plan … '.

In the 'Lam Soon Knife Label', the possible features capable of protection as artistic works are primarily the knife device encased in a circle with diagonal stripe and the shade of the label in yellow and red, while the wordings on the label, including 'knife' and 'pisau' imprinted below the knife device are in my view not artistic works, as defined in the Act.

I must now decide whether the above possible features are capable of protection as 'artistic works'. It must be emphasised that s 7(3)(a) of the Act stipulates that an artistic work shall not be eligible for copyright protection unless 'sufficient effort has been expended to make the work original in character'.

A concise statement relating to originality in the context of a copyright work was set out by Peterson J in *University of London Press Ltd v University Tutorial Press Ltd* [1916] 2 Ch 601 as simply a work that has not been copied, and more comprehensively thus:

> The originality which is required relates to the expression of the thought. But the (Copyright) Act does not require that the expression must be in an original or novel form, but that the work must not be copied from another work — that it should originate from the author.

In the instant case, the primary feature of the label is the knife device encased in a circle. The drawing or expression of the knife device is identical to the first defendant's aforesaid two trade marks which had been registered since 1974. The plaintiff's knife device which was used after 1974 could hardly be original as such.

The designs of the circle and diagonal stripe are not the primary features which require sufficient effort to be expended to make the works or designs original, for the purposes of protection as copyright under s 7(3)(a)

of the Act. The combination of red and yellow colours is also in my view commonplace and not original.

The crux of the case, as I have demonstrated above, is that the said Whang Tar Choung was the legal owner of the aforesaid two trade marks. He had, on the one hand, permitted the Lam Soon group of companies, whether in Malaysia or Singapore to use the label, including the backdrop against which the trade marks are used. On the other hand, the aforesaid two trade marks have since been assigned by the said Whang Tar Choung to the first defendant, and this assignment was effected together with the goodwill associated with the aforesaid two trade marks which must necessarily comprise the form in which the marks were previously used under licence from Whang Tar Choung. In the circumstances, there can be no doubt and I hereby hold that there is no triable issue in respect of the alleged copyright infringement.

In the light of my finding that there is no triable issue in either passing off or copyright infringement, that is the end of the matter as there is no necessity for me to proceed with further inquiry into adequacy of damages or balance of convenience or justice: *Keet Gerald Francis Noel John*. Nevertheless, *ex abundante cautela* , I shall inquire into these two principles.

*Adequacy of damages*

Proceeding on the assumption that in relation to the alleged cause of action founded on passing off and infringement of copyright, there are serious issues to be tried, I shall now consider whether damages would be an adequate remedy to the plaintiff.

The refusal of the injunction applied for by the plaintiff would not in my view affect the continuity and free flow of the plaintiffs trade or business and so would not result in any loss to the plaintiff as it is still 'business as usual' and uninterrupted.

*Balance of convenience*

The grant of an interim or interlocutory injunction herein would result in the final disposal of the subject matter herein. The defendants' main and most important assets are the aforesaid two trade marks. An injunction against the defendants would inevitably prevent them from trading, being in the business of producing and selling cooking oil since they do not possess any other trade. To terminate the defendants' aforesaid business established on the aforesaid two trade marks, including the accompanying backdrop albeit on an interim or interlocutory basis, would be tantamount to a direct coercion on the defendants to abandon the aforesaid two trade marks altogether, thereby cutting off the defendants' business completely.

In *Garden Cottage Foods Ltd v Milk Marketing Board* [1984] AC 130, the defendants produced most of the bulk butter in England and Wales that was sold to distributors in England and Wales for resale within the common market of the European Economic Community. In 1980 and 1981, the

A plaintiffs bought substantial quantities of bulk butter from the defendants which they resold overseas, but no more butter was supplied to them after August 1981. In March 1982, the defendants told the plaintiffs that with effect from April 1982, the plaintiffs would have to buy the defendants' bulk butter from four named distributors only. The plaintiffs applied for an injunction restraining the defendants from withholding supplies of butter B from the plaintiffs. Parker J refused the injunction on the ground that damages would be an adequate remedy. On appeal, the Court of Appeal granted the injunction, but on further appeal, the House of Lords restored the decision of Parker J and so refused to grant the plaintiff an injunction against the defendants, holding (in a 4 to 1 majority judgment), inter alia, C that Parker J was entitled to conclude that damages would be an adequate remedy, and that the status quo is the state of affairs existing during the period immediately preceding the issue of the writ claiming the permanent injunction or the period immediately preceding the application for an interlocutory injunction. In other words, the lawful trade of the respective parties should be allowed to be carried on unimpeded and the defendants D should not be disrupted in their lawful trading activities.

I am of the view that the judicial approach taken by the House of Lords is applicable to the facts and circumstances of the instant case and I hereby follow the House of Lords' decision.

Further, the grant of an interim injunction against the defendants E would mean that there is a risk of the final disposal of the suit herein. Whitford J in *Parnass/Pelly Ltd v Hodges* [1982] FSR 329, set out his observations on the position of an application for interlocutory relief, in trading activities arising from intellectual property litigations, particularly where there is a risk of a final disposal of the matter upon the grant thereof. His Lordship said: F

> It must always be remembered that the grant of such relief as is sought by the plaintiffs upon application for an interlocutory injunction may very well be effective finally to determine the proceeding, for, if an interlocutory injunction be granted, it is going to stop the defendants from trading in clothing under the name 'Parachute' until judgment or further order.
>
> G In those circumstances, if the defendants want to continue in business, it is likely that they will adopt some different name and it will never be worth their while to fight the proceedings through so as eventually to establish the justice of their claim, particularly in circumstances such as we find in this case, where they have only started very recently and have not so far spent a great deal of money. It is accordingly not one of those cases where one can perhaps H say, 'Well, so long as there is an arguable case, that is good enough for the grant of interlocutory relief.' In my view, the plaintiffs have got to do somewhat better than that.

It is trite law that an interim or interlocutory injunction which would result in the disposal of the main suit as in the instant case would only be granted I sparingly and with circumspection. Considering the plaintiffs application in encl (4) in its entirety, I am of the view that the balance of convenience is against the grant of the interim injunction.

*Conclusion*

On the foregoing cumulative grounds my answer to the aforesaid three questions are follows:

(i) There is no triable issue in a cause of action for passing off or infringement of copyright;

(ii) Even if the answer to question 1 above is in the affirmative, damages would be an adequate remedy;

(iii) The balance of convenience is against the grant of an interim injunction.

I therefore dismiss the plaintiff's application in encl (4) with costs.

*Plaintiff's application dismissed.*

Reported by Jafisah Jaafar